

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.05)

Unit Name* KEENE TOWNSHIP	County* IONIA	Type* OTHER	MuniCode* 34-1-070
Opinion Date-Use Calendar* Jul 3, 2008	Audit Submitted-Use Calendar* Aug 25, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	
<input type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report? yes

General Fund Revenue: ?	\$ 187,512.00
General Fund Expenditure: ?	\$ 186,920.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance: ?	\$ 226,084.00
Governmental Activities Long-Term Debt (see instructions): ?	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* LAWRENCE	Last Name* TIEJEMA	Ten Digit License Number* 1101026843		
CPA Street Address* 31 E MAIN ST PO BOX 10	City* SARANAC	State* MI	Zip Code* 48881	Telephone* +1 (616) 642-0384
CPA Firm Name* LAWRENCE TIEJEMA, PC	Unit's Street Address* 31 E MAIN ST PO BOX 10	Unit's City* SARANAC	Unit's Zip* 48881	

KEENE TOWNSHIP

TABLE OF CONTENTS

MARCH 31, 2008

	<u>Page</u>
Independent Auditor's Report.....	1 – 2
Management Discussion and Analysis.....	3 – 8
Basic Financial Statements:	
Government-wide Financial Statement	
Statement of Net Assets.....	9
Statement of Activities.....	10 – 11
Fund Financial Statements	
Balance Sheet – Government Funds.....	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets.....	12
Statement of Revenues, Expenditures, and Changes In Fund Balance – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund...	14 - 15
Tax Agency Fund Statements.....	16
Notes to the Financial Statements.....	17 – 28
Supplementary Information:	
Schedule of General Fund Revenues, Expenditures, And Changes in Fund Balance – Budget and Actual (detail)...	29 – 32
Tax Agency Fund, Schedules of Receipts and Disbursements...	33-34
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance with Government Auditing Standards.....	35 - 36

Lawrence Tiejema, PC Certified Public Accountant

31 E. Main Street, Saranac, MI 48881 616-642-0384
fax: 616-642-0610 email: tiej@sbcglobal.net

INDEPENDENT AUDITOR'S REPORT

July 3, 2008

The Township Board
Keene Township
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Keene Township, Ionia County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Keene Township, as of March 31, 2008, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated July 3, 2008, on my consideration of Keene Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 to 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keene Township's basic financial statements. The governmental schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Lawrence Tiejema

Lawrence Tiejema, PC.

July 3, 2008

Management Discussion and Analysis

Keene Township completed the fiscal year ended March 31, 2008, with a fund balance of \$273,573 even though public works and planning/zoning expenses increased by over 30%. Below are the main financial highlights of the year:

Financial Highlights

- (1) Planning and zoning expenses increased by \$10,543 in the year ended March 31, 2008. The main reason for the increased expenditures was the added legal and planning commission expenses from a special use permit for a soccer field in the northwestern part of the township.
- (2) Road funding increased by \$17,011 over the prior year. Additional grading, brush cutting, and gravel accounted for most of the increased expenses. The Board approved a contract with Sayers Tree Service to cut brush along township roads for \$13,000.
- (3) Building permit revenue decreased from \$1,710 to \$1,150. The reduction in revenue is related to the slowdown in the Michigan economy.
- (4) Interest earnings rose from \$8,044 to \$8,977, an increase of 11.6 %. Long-term CD's continued to increase interest earnings throughout the year.
- (5) A new computer was purchased by the Clerk for \$1,970. The memory of the computer will allow a high-speed internet connection so that the Qualified Voter File can be updated more easily.
- (6) The Township Board raised the township's liability coverage from \$2,000,000 to \$3,000,000 and raised property insurance by 6% to \$188,680. This raised the township's insurance premium from \$3,432 to \$4,515.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Township governments may have activities that are intended to recover all or a significant portion of their costs through user fees and charges. Keene Township has no such activities. All financial resources and expenditures are maintained in the general fund. The township also has a tax agency fund which collects real and personal property taxes and disburses these tax revenues to the appropriate governmental units including Keene Township's general fund. Through its general fund, Keene Township provides for general government, public safety, public works, cemeteries, and planning and zoning. The government-wide financial statements can be found on pages 9-11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide-financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Keene Township has one fiduciary fund, the tax agency fund.

The basic fiduciary fund statements for the tax agency fund can be found on page 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 17-28 of this report.

Keene Township's Net Assets

	Governmental Activities	
	Year ended March 31, 2008	Year ended March 31, 2007
Current and other assets	232,659	230,358
Capital assets	47,489	49,414
Total assets	280,148	279,772
Long-term liabilities outstanding		
Other liabilities	6,575	4,866
Total liabilities	6,575	4,866
Net assets:		
Invested in capital assets, net of related debt	47,489	49,414
Restricted		
Unrestricted	226,084	225,492
Total net assets	273,573	274,906

Current assets are made up of checking and deposit accounts, receivables for current and delinquent taxes, and prepaid expenses. Current assets increased by \$2,301 during the year ended March 31, 2008. Property taxes receivable increased by \$3,462, prepaid expenses went up by \$558, but cash deposits dropped by \$1,719. The capital assets dropped by \$1,935 because new capital asset purchases were less than depreciation expense. A new computer was purchased for \$1,970 while depreciation expense was \$3,895 for the year. For the liabilities, the timing of the bills of the assessor and zoning administrator resulted in a \$1,709 increase.

Keene Township's Changes in Net Assets

	Governmental Activities	
	Year ended March 31, 2008	Year ended March 31, 2007
Revenue:		
Program revenue:		
Charges for services	6,977	9,331
Capital grants		12,320
General revenue:		
Property taxes	56,257	55,752
State Sources	114,210	113,363
Other	10,068	9,424
Total revenue	187,512	200,190
Expenses:		
General government	61,280	58,861
Legislative	6,802	9,207
Public safety	22,753	22,804
Public works	68,840	53,768
Planning and Zoning	22,742	12,199
Cemetery	6,428	6,206
Total expenses	188,845	163,045
Increase (decrease) in net assets	-1,333	37,145
Net assets - beginning of year	274,906	237,761
Net assets - end of year	273,573	274,906

The income from charges for services fell by \$2,354 as zoning and lot split permits decreased. In addition, the reimbursements for school elections fell slightly. In the prior year, the township received 2 voting machines with a value of \$12,320 as part of a federal grant. There was no grant income this year. All other income sources went up slightly. Expenses rose by \$25,800 in the year ended March 31, 2008. Public works spending increased by \$15,072 and Planning Commission and Zoning Administrator expenses rose by \$10,543. The public works spending increase came mainly from increased brush cutting while the planning/zoning expense increase was the result of a special use permit. Legal costs increased by \$7,540 in the year ended March 31, 2008.

**Keene Township's Capital Assets
(net of depreciation)**

	Governmental Activities	
	Year ended March 31, 2008	Year ended March 31, 2007
Land	13,795	13,795
Cemetery improvements	7,182	7,714
Buildings and Improvements	13,866	15,487
Machinery and Equipment	12,646	12,418
Total Assets	47,489	49,414

There was only one change in capital assets during the year ended March 31, 2008. A new computer was purchased for the Clerk for \$1,970. The new computer allows for higher speed access to the Internet for updating the Qualified Voter File. The old computer, that was over 6 years old, had no economic value. The Clerk paid the nominal amount of \$5 for the old computer.

Year in Review and Future Challenges

Keene Township worked through a zoning and planning issue during last year. The owner of a soccer field had not applied for a special use permit before starting activity on a parcel in northwest Keene Township. The Township was successful in obtaining a special use permit, but it incurred additional planning commission and legal expenses. At the end of the year, expenditures exceeded revenues by only \$1,333, but the financial reserve still exceeded \$270,000. Land development permit income dropped as the slowdown in the Michigan economy continues with no relief in sight. Slower development also affects the growth of property tax revenue to the township. With CD rates dropping, there will be less investment income in the coming future. The main challenges to the Township in the coming years are assisting with the fire and ambulance services and road maintenance while revenues grow slowly. The Township is currently working with community partners to provide fire and ambulance service. It is also providing funds to the Ionia County Road Commission to provide for the continuation of serviceable roads.

KEENE TOWNSHIP
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
Assets	
Cash and deposits	\$ 174,879
Receivables	
Due from other funds	50,974
Due from other governments	4,132
Prepaid expenses	2,674
Capital assets, net of accumulated depreciation	<u>47,489</u>
Total Assets	<u>280,148</u>
Liabilities	
Accounts payable	<u>6,575</u>
Total Liabilities	6,575
Net Assets	
Invested in capital assets, net of related debt	47,489
Unrestricted net assets	<u>226,084</u>
Total net assets	<u><u>\$ 273,573</u></u>

The accompanying notes are an integral part of these financial statements

KEENE TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

Functions/ Programs	Expenses	Program Revenues	Net (Expense) Revenues
		Charges for Service	
Primary government			
Governmental activities:			
General government	\$ 61,280	\$ 3,742	\$ (57,538)
Legislative	6,802		(6,802)
Public safety	22,753		(22,753)
Public works	68,840		(68,840)
Planning and Zoning	22,742	2,385	(20,357)
Cemetery	6,428	850	(5,578)
Total government activities	\$ 188,845	\$ 6,977	\$ (181,868)

(continued)

The accompanying notes are an integral part of these financial statements

KEENE TOWNSHIP
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Governmental</u> <u>Activities</u>
Changes in net assets	
Net (expense) revenue	(181,868)
General revenues:	
Property taxes	56,257
State revenues	114,210
Investment earnings	8,977
Other Income	<u>1,091</u>
Total general revenues	<u>180,535</u>
Change in net assets	(1,333)
Net assets, beginning of year	<u>274,906</u>
Net assets, end of year	<u><u>273,573</u></u>

(concluded)

The accompanying notes are an integral part of these financial statements

**KEENE TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008**

ASSETS	GENERAL FUND
Cash and deposits	\$ 174,879
Receivables:	
Due from other funds	50,974
Due from other governments	4,132
Prepaid expenses	2,674
TOTAL ASSETS	232,659
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable and accrued expenditures:	
Accounts payable	6,575
TOTAL LIABILITIES	6,575
FUND BALANCE	
Unreserved	226,084
TOTAL LIABILITIES AND FUND BALANCE	\$ 232,659

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF THE GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

Fund balance -- total governmental funds.....	226,084
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add -- capital assets.....	86,984
Deduct -- accumulated depreciation.....	(39,495)
Net assets of governmental activities.....	\$ 273,573

The accompanying notes are an integral part of these financial statements

**KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**

	GENERAL FUND
REVENUES:	
Property taxes	\$ 56,257
State sources	114,210
Charges for services	6,093
Interest	8,977
Other	1,975
TOTAL REVENUES	187,512
EXPENDITURES:	
General government	61,119
Legislative	5,570
Public safety	22,753
Public works	68,840
Planning and zoning	22,742
Cemetery	5,896
TOTAL EXPENDITURES	186,920
REVENUES OVER EXPENDITURES	592
NET CHANGE IN FUND BALANCES	592
FUND BALANCE, BEGINNING OF YEAR	225,492
FUND BALANCE, END OF YEAR	\$ 226,084

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances -- total government funds.....	592
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:	
Add -- Capital Assets acquired and expensed by depreciation	1,970
Deduct - depreciation expense.....	(3,895)
Change in net assets of government activities.....	<u>(1,333)</u>

The accompanying notes are an integral part of these financial statements

**KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	BUDGETED AMOUNTS			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Property taxes	\$ 49,000	\$ 49,000	\$ 56,257	\$ 7,257
State sources	113,200	113,200	114,210	1,010
Charges for services	3,500	3,500	6,977	3,477
Interest	4,200	4,200	8,977	4,777
Other	-	-	1,091	1,091
TOTAL REVENUES	169,900	169,900	187,512	17,612
EXPENDITURES				
General government	59,510	61,480	61,119	361
Legislative	8,000	8,000	5,570	2,430
Public safety	22,778	22,778	22,753	25
Public works	74,200	74,200	68,840	5,360
Planning and zoning	16,500	23,000	22,742	258
Cemetery	6,300	6,300	5,896	404
TOTAL EXPENDITURES	\$ 187,288	\$ 195,758	\$ 186,920	\$ 8,838

The accompanying notes are an integral part of these financial statements

**KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES OVER (UNDER)				
EXPENDITURES	(17,388)	(25,858)	592	26,450
NET CHANGE IN FUND BALANCES	(17,388)	(25,858)	592	26,450
FUND BALANCE, BEGINNING OF YEAR	225,492	225,492	225,492	-
FUND BALANCE, END OF YEAR	\$ 208,104	\$ 199,634	\$ 226,084	-

The accompanying notes are an integral part of these financial statements

KEENE TOWNSHIP

FIDUCIARY FUND

TAX AGENCY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2008

Assets

Cash in bank	\$	50,974
--------------	----	--------

Liabilities

Due to other funds	\$	<u>50,974</u>
--------------------	----	---------------

STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

Receipts

Tax Collections	\$	1,429,478
-----------------	----	-----------

Interest income		<u>1,002</u>
-----------------	--	--------------

Total cash receipts		1,430,480
---------------------	--	-----------

Disbursements

Tax payments to government agencies		<u>1,427,509</u>
-------------------------------------	--	------------------

Total cash disbursements		<u>1,427,509</u>
--------------------------	--	------------------

Total receipts over (under) disbursements		2,971
--	--	--------------

Cash balance at the beginning of the year		<u>48,003</u>
---	--	---------------

Cash balance at the end of the year	\$	<u><u>50,974</u></u>
-------------------------------------	----	----------------------

The accompanying notes are an integral part of these financial statements

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Keene Township was organized on April 4, 1842, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (fire, ambulance), road maintenance, cemetery, public improvements, planning and zoning, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present a financial report on all funds of Keene Township.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Keene Township has no business-type activities or funds.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Agency funds follow the accrual basis of accounting, and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government fund:

General Fund – This fund is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund type:

Tax Agency Fund – This fund is used to account for property tax collections from real and personal property owners in Keene Township, and the fund’s disbursements to the applicable government entities and agencies.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance in the Statement of Net Assets and the Statement of Activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budgets and Budgetary Accounting

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data which is reflected in the financial statements:

1. The budgets are generated with input from various department heads, the township supervisor, clerk, treasurer, and township trustees.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board. Supplemental budget appropriations were made during the year.
8. Encumbrance accounting is not utilized.

Investments

Investments are stated at fair value.

Restricted Assets

Certain proceeds may be set-aside or restricted for the repayment of debt obligations, a planned capital project, or for any other special purpose. Keene Township has no restrictions on its net assets.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental funds in the government-wide financial statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Building and structures.....	10 - 40
Furniture and equipment.....	5 - 15
Building and lot improvements.....	15
Trucks and vehicles.....	5
Machinery and equipment.....	5 - 15

Property Taxes

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year. Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts and other entities in Ionia County; summer taxes are collected for the school districts and the County of Ionia.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Fund Equity

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent restricted net assets equal to restricted assets less related liabilities. The general fund of Keene Township has no reservation or designations of its \$226,084 general fund equity.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2008, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through Burnham & Flowers Insurance group.

The insurance limitations are: Property, \$188,680; Liability, \$3,000,000; Wrongful acts, \$2,000,000. In addition, the Township has inland marine and crime coverage.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

2. CASH AND DEPOSITS AND INVESTMENTS

The cash and deposits, investments and restricted assets for the Township and its component unit are as follows:

Deposits:	General Fund	Tax Agency	Total
Cash and deposits	\$ 65,570	\$ 50,974	\$ 116,544
Investments	<u>109,309</u>	<u>-</u>	<u>109,309</u>
 TOTAL	 \$ 174,879	 \$ 50,974	 \$ 225,853

The carrying amount of the Township's deposits at March 31, 2008, is \$174,879. These deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. In accordance with the State of Michigan policy limits, these deposits are all deposited in a Michigan bank. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

Statutory Authority

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after date of purchase.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

4. Banker's acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

All deposit accounts of Keene Township are in Category 1, registered and insured and are deposited in Firstbank West Michigan. The Federal Deposit Insurance Corporation insures these balances up to \$100,000.

<u>Depository</u>	<u>Account</u>	<u>Amount @ 03/31/08</u>
General Fund:		
First Bank West Michigan	General Fund checking account	\$ 65,570
First Bank West Michigan	General Fund certificates of deposit	109,309
Tax Agency Fund:		
First Bank West Michigan	Operating acct – Tax Agency Fund	<u>50,974</u>
TOTAL DEPOSITED FUNDS		<u>\$ 225,853</u>

KEENE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

3. CAPITAL ASSETS

A summary of changes in Capital Assets follows:

	April 1, 2007	Additions	Disposals	March 31, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 13,795			\$ 13,795
Capital assets, being depreciated:				
Building	31,160			31,160
Building improvements	13,027	-	-	13,027
Cemetery improvements	7,980	-	-	7,980
Machinery and equipment	21,051	1,970	1,999	21,022
Total assets being depreciated	73,218	1,970	1,999	73,189
Less accumulated depreciation for:				
Building	20,672	779		21,451
Building improvements	8,028	842		8,870
Cemetery improvements	266	532		798
Machinery and equipment	8,633	1,742	1,999	8,376
Total depreciation charged	37,599	3,895	1,999	39,495
Total capital assets, being depreciated net	35,619			33,694
Governmental activities capital assets, net of depreciation	\$ 49,414			\$ 47,489

Depreciation expense was charged to functions/programs of the general government as follows:

Cemetery.....	\$ 532
Clerk and Treasurer.....	510
Township Equipment.....	1,232
Township hall.....	1,621
Total depreciation.....	\$ 3,895

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

4. CONTRIBUTORY PENSION PLAN

Keene Township contributes to a group pension plan through John Hancock Life Insurance Company. The eligible participants are the elected officials and zoning administrator. The Township contributes according to the participants compensation in the following manner:

Participants who earn less than \$400	\$ 100
Participants who earn \$400 to \$799	200
Participants who earn \$800 to \$1,999	300
Participants who earn \$1,200 to \$1,599	400
Participants who earn \$1,600 or more	500

No contributions are made by the participants. During the year ended March 31, 2008, the Township's contributed \$3,266 for wages paid from April 20, 2006, through April 19, 2007. For the year ended April 19, 2008, the Township has paid and accrued a pension liability of \$3,493 based on compensation paid to the participants.

5. LITIGATION

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

6. ESCROW ACCOUNTS

As of March 31, 2008, Keene Township has no escrow accounts. Prior escrow accounts covered the engineering, legal, and professional expenses of Keene Township relating to private road construction, site condominiums, and special use permits.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

7. DUE FROM (TO) OTHER FUNDS

Amounts due from (to) other funds representing interfund receivable and payable balances at March 31, 2008, are detailed as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	-	\$ 50,974
Tax Agency Fund	\$ 50,974	-

“Due to” and “due from” balances represent amounts in the tax-agency fund which may be transferred into the general fund.

GENERAL FUND

The General Fund is used to account for government resources that are not required legally or by sound financial management to be recorded in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants, and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, and Planning and Zoning.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

**KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2008

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
REVENUES:				
Property taxes				
Current property taxes	\$ 49,000	\$ 49,000	\$ 53,180	\$ 4,180
Delinquent property taxes	-	-	3,077	3,077
Total taxes	49,000	49,000	56,257	7,257
State sources				
State revenue sharing	113,200	113,200	114,210	1,010
Charges for services:				
Building permits	2,500	2,500	1,350	(1,150)
Cemetery sales	-	-	850	850
Lot splits	1,000	1,000	1,000	-
Elections & reimbursements	-	-	884	884
Zoning book sales	-	-	35	35
Telecom	-	-	2,858	2,858
Total fee revenue	3,500	3,500	6,977	3,477
Investment revenue:				
Interest earnings	4,200	4,200	8,977	4,777
Other revenue	-	-	1,091	1,091
TOTAL REVENUES	\$ 169,900	\$ 169,900	\$ 187,512	\$ 17,612

**KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES				
General government				
Supervisor	\$ 8,500	\$ 8,500	\$ 8,362	\$ 138
Elections	1,000	1,000	1,584	(584)
Assessor	9,400	9,400	10,139	(739)
Clerk	9,400	11,370	11,304	66
Board of review	700	700	662	38
Treasurer	11,360	11,360	11,163	197
Townhall	8,400	8,400	7,512	888
Audit & legal	1,600	1,600	1,371	229
Pension plan	3,500	3,500	3,493	7
Insurance	4,900	4,900	4,851	49
Employment taxes	750	750	678	72
Total general government	59,510	61,480	61,119	361
Legislative	8,000	8,000	5,570	2,430
Public safety				
Fire dept contributions	15,348	15,348	15,323	25
Ambulance	7,430	7,430	7,430	-
Total public safety	22,778	22,778	22,753	25
Public works				
Roads	72,000	72,000	68,605	3,395
Drains	2,200	2,200	235	1,965
Total Public Works	74,200	74,200	68,840	5,360
Planning and zoning				
Zoning administrator	9,100	9,100	6,982	2,118
Zoning board of appeals	300	300	105	195
Planning commission	7,100	13,600	15,655	(2,055)
Total Planning and Zoning	\$ 16,500	\$ 23,000	\$ 22,742	\$ 258

**KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Cemetery	\$ 6,300	\$ 6,300	\$ 5,896	\$ 404
TOTAL EXPENDITURES	187,288	195,758	186,920	8,838
REVENUES OVER (UNDER) EXPENDITURES	(17,388)	(25,858)	592	26,450
NET CHANGE IN FUND BALANCES	(17,388)	(25,858)	592	26,450
FUND BALANCE, BEGINNING OF YEAR	225,492	225,492	225,492	-
FUND BALANCE, END OF YEAR	\$ 208,104	\$ 199,634	\$ 226,084	-

TAX AGENCY FUND

The Keene Township Tax Agency Fund collects all personal and real property taxes assessed on real and personal property in the township. It disburses these funds to the appropriate governmental entities including school districts, the County of Ionia, and the Township's general fund.

KEENE TOWNSHIP -- TAX AGENCY FUNDS**RECEIPTS AND DISBURSEMENTS BY MONTH****FOR THE YEAR ENDED 03/31/08**

PERIOD	OPENING BALANCE	RECEIPTS	INTEREST	DISBURSE- MENTS	CLOSING BALANCE
APRIL 07	48,003.29	323.90	26.25	48,230.47	122.97
MAY 07	122.97	0.00	0.00	0.00	122.97
JUNE 07	122.97	0.00	0.00	0.00	122.97
JULY 07	122.97	56,414.78	0.00	38,642.94	17,894.81
AUGUST 07	17,894.81	104,946.38	32.34	46,568.41	76,305.12
SEPTEMBER 07	76,305.12	322,707.28	279.87	386,560.98	12,731.29
OCTOBER 07	12,731.29	6,302.45	10.86	10,830.19	8,214.41
NOVEMBER 07	8,214.41	3,410.43	7.75	4,480.37	7,152.22
DECEMBER 07	7,152.22	322,363.73	80.94	58,579.73	271,017.16
JANUARY 08	271,017.16	163,962.79	226.77	359,584.52	75,622.20
FEBRUARY 08	75,622.20	447,964.10	248.17	451,113.50	72,720.97
MARCH 08	72,720.97	1,082.00	88.80	22,918.31	50,973.46
TOTALS		1,429,477.84	1,001.75	1,427,509.42	

Lawrence Tiejema, PC Certified Public Accountant
31 E. Main Street, Saranac, MI 48881 616-642-0384
fax: 616-642-0610 email: tiej@sbcglobal.net

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

July 3, 2008

The Township Board
Keene Township
Ionia County, Michigan

I have audited the financial statements of the governmental activities and the aggregate remaining fund information of the Township of Keene, State of Michigan, as of and for the year ended March 31, 2008, which collectively comprise Keene Township's basic financial statements and have issued a report thereon dated July 3, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, I considered Keene Township's control over financial reporting as basis for designing my auditing procedures for the purposes of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Keene Township's internal control over financial reporting

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

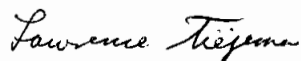
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

I noted no material weaknesses in the internal control system of Keene Township. However, I did note three significant deficiencies that are described in the attached schedule that are titled 2008-1, 2008-2 and 2008-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keene Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, we do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Lawrence Tiejema, PC.

July 3, 2008

SCHEDULE OF SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

KEENE TOWNSHIP -- YEAR ENDED MARCH 31, 2008

- 2008-1:** Township accounting personnel do not prepare the accruing entries necessary for preparation of the government-wide statements. They rely on the auditor to make all of these adjustments.

Township response:

The township accounting personnel will develop knowledge of accruing entries and prepare these entries for the next audit.

- 2008-2:** The Township operates under traditional purchasing guidelines developed in practice, and it does not have a formal, written purchasing policy as required by the Michigan Department of Treasury.

Township response:

The township will develop a written purchasing policy during the current fiscal year.

- 2008-3:** The Township does not have a procedure for recording capital assets that cost \$1,000 or more and placing these assets in a fixed-asset schedule.

Township response:

The township will develop a procedure for recording capital assets with a cost of \$1,000 or more in a fixed-asset account.